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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000150

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TAGS: [ENRG](#) [PREL](#) [RS](#) [GG](#) [AJ](#) [IR](#) [AM](#)

SUBJECT: WITH POWERLINES ENERGIZED, ARMENIAN ELECTRICITY
FLOWING TO GEORGIA

REF: YEREVAN 130

Classified By: DCM A.F. Godfrey for reasons 1.4 (b, d).

SUMMARY

1. (C) The flow of natural gas from Russia through Georgia has continued at full capacity (9 million cubic meters daily) without interruption since January 31. The GOAM energized two power lines to Georgia (reftel) which have supplied an average of 125 megawatts since the thermal power unit in Hrazdan returned to peak capacity (200 megawatts) on January 31. On February 1, the GOAM energized a third power line to Georgia which has boosted total capacity to the pre-January 22 level of 150 megawatts. With electricity export obligations met, and a small gas surplus remaining, Armenia began restoring strategic reserves at its Abovyan storage facility. Though this is a wasteful process (for technical reasons associated with gas compression in cold weather), Armenia appears to be rushing to fill reserves, and diversify sources, ahead of a price hike for Russian gas on April 1. End Summary.

ELECTRICITY FLOWING TO GEORGIA

2. (SBU) On January 30, the flow of natural gas from Russia returned to full capacity (9 million cubic meters daily), according to ArmRosGazProm spokeswoman Shushan Sardaryan. The same day, a thermal power unit in Hrazdan returned to peak capacity (200 megawatts). With enough energy to resume exports, the GOAM immediately energized two power lines to Georgia (reftel) which have provided an average of 125 megawatts since January 31. On February 1, the GOAM energized a third power line near the Baghratashen border crossing (Lalvar) which, according to Deputy Minister of Energy Areg Galstyan, boosted electricity exports to the pre-January 22 level of 150 megawatts.

EXCESS RUSSIAN GAS SLOWLY FILLING ARMENIAN RESERVES

3. (SBU) With electricity export obligations met, and a small surplus of natural gas accumulating, Armenia began restoring strategic reserves January 31 at its Abovyan storage facility. According to ArmRosGazProm spokeswoman Shushan Sardaryan, the company is depositing an average of 2 million cubic meters (mcm) daily. The Abovyan facility holds approximately 80 million cubic meters of useful capacity,

which Deputy Minister of Energy Galstyan estimated would take about "a month and a half" to replenish. (Note: At the current rate, Armenia would restore its strategic reserves just ahead of the anticipated Russian gas price hike, from USD 56 to USD 110 per thousand cubic meters. End Note.)

RUSHING TO BEAT THE RUSSIAN PRICE HIKE

¶4. (C) According to PA Consulting's Deputy Chief of Party Armen Arzumanyan, who has worked with Armenian energy regulators for several years, "it's a big gamble, and a costly mistake, if the government doesn't refill Armenian reserves while they have the opportunity." Though a "wasteful" process (technical reasons associated with gas compression in cold weather reduce the volume of gas in storage), Arzumanyan said GOAM energy officials would rather lose some gas in the process than pay twice as much to refill the reserves after April 1.

ARMENIAN NEWS REPORTS ON IRAN-ARMENIA NEGOTIATIONS

¶5. (SBU) Armenpress news agency reported February 1 that a delegation to the Iranian-Armenian Intergovernmental Commission which includes Presidential Chief of Staff Artashes Tumanyan, Minister of Energy Armen Movsisyan, and Deputy Minister of Foreign Affairs Arman Kirakossian) was scheduled to return from Tehran on February 2. The delegation, according to the report, was in negotiations to speed the construction of the Iran-Armenia pipeline (currently scheduled for completion in 2007), and increase

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Iranian participation in the construction of thermal power stations, power lines, and electricity transfer substations in Armenia.

COMMENT: NEXT STEPS: REFILL RESERVES, DIVERSIFY SOURCES

¶6. (C) Armenia has taken its near-miss energy crisis in stride, focusing on the country's next steps to hedge future threats, meeting its obligations to supply electricity to Georgia, and seeking to diversify sources of energy. With the energy situation relatively stable for the moment, we anticipate the GOAM delegation will return from Tehran with plans to continue, and possibly expand, cooperation with Iran, particularly regarding energy.
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